

China Merchants Bank

2008 Corporate Social Responsibility Report

Chairman's Statement

In the just finished 2008, China successfully held the Beijing Olympics. At the same time, it also experienced the trials and tribulations of two natural catastrophes, namely the snowstorm in Southern China and the earthquake in Wenchuan, Sichuan. Then came the financial tsunami, engulfing the whole world and leaving many enterprises in the grip of doom and gloom.

Granted, as an important part of China's financial industry, CMB cannot stay away from the challenges brought by the profound and rapid changes in the Chinese as well as the global economies. However, the most essential of all is mapping out the right strategies in the face of the changing environment in order to grasp hold of development opportunities. As such, the upcoming phase of adjustments and transitions is a matter of course for the roadmap of our future growth.

In 2008, CMB achieved outstanding operating results and made significant breakthroughs in international operations. One of our milestones was the setting up of the New York Branch, embarking on our aggressive efforts in overseas expansion. The New York Branch not only allows us to provide more services to our customers at the international level, but also helps us gain access to New York, which has a unique status as an international financial center, so as to master a better grasp of international financial market information and to absorb advanced international banking management experience. Another milestone was our acquisition of Wing Lung Bank, which took place in a very special environment, when both the domestic and overseas capital and financial markets experienced traumatic turbulence and fluctuations. Despite the substantial changes in the market condition, CMB remained on course with its strategic acquisition of Wing Lung Bank. Internationalization is an inevitable step forward for the evolution of China's banking industry. CMB is no exception.

CMB has a history of 21 years. Since our inception, the growth of our bank has benefited from the reform and opening up policy of the State and the support and friendship from all quarters in society. In return, CMB has also contributed to national and social development by growing its business in a sustainable, healthy and stable manner so as to deliver satisfactory business results, high

quality services and an ongoing stream of innovative financial products.

Over the past 21 years, CMB has not only made actively supported social and economic development and fulfilled its pledges to shareholders, but also has made enthusiastic and keen efforts in participating in community charitable causes. We took part in various charitable activities, such as disaster relief and recovery programs, as well as poverty relief and education support campaigns, to act on our social responsibility as a corporate citizen. During the snowstorm that wreaked havoc in Southern China in early 2008, we donated our first tranche of relief funds of RMB6 million to the victims through the Red Cross Society of China Headquarters. Then our staff donated another RMB2.845 million to the affected districts through the Sunflower Children Growth Fund, jointly established by CMB and the China Children and Teenagers' Fund. Immediately after the earthquake disaster occurred in Wenchuan, Sichuan, we tapped into our emergency events support fund to donate funds for the relief work. Up to the end of 2008, CMB raised an accumulated sum of RMB164 million for donation to disaster relief activities. In addition, in 2008 we also continued our efforts in a number of poverty relief and environmental protection campaigns and actively participated in all sorts of charitable functions to fully support the development of the education, cultural and sports sectors in China.

We see that fulfilling social responsibilities and achieving business growth are complementary and closely intertwined. In the days ahead, we will continue to strengthen our management, actively pursue the consolidation and internationalization of our operating strategies and keep on innovating new financial products and providing high quality services. In this way, we seek to do our best to develop CMB into the best commercial bank in China with internationally competitive strengths and to make even more contributions toward the development of a harmonious society.

President's Statement

2008 was an unforgettable year for people in China and the Chinese community as a whole. During the year, we experienced the harsh challenges from the earthquake in Wenchuan and the snowstorm in Southern China, as well as the impact from the financial tsunami that washed over the shores around the globe. Yet, in the same year, we also successfully held the Beijing Olympics, making the century-old dream of all Chinese come true.

In the face of the once-in-a-century natural disasters and financial crisis, the performance of enterprises in fulfilling their corporate social responsibilities drew unprecedented attention from around society. In 2008, CMB carried on its corporate philosophy of “who benefited from society must give back to society”, actively fulfilling its social responsibilities and delivering a lot of great achievements.

After the onset of the Wenchuan earthquake and the Southern China snowstorm, we immediately made an emergency donation totalling RMB14.7 million to the disaster-stricken areas through the Red Cross Society of China. Our staff made an additional donation of over RMB18 million. Customer donation platforms and channels were also timely opened by us to raise donation funds of RMB130 million from our customers. Besides, by way of launching charity financial products and other activities, another nearly RMB10 million was raised. At the same time, we also implemented a series of preferential offers for remittances, funds transfers and credit facilities to support and make further contributions toward the redevelopment of the affected districts.

During the Olympics, we made an all-out effort to deliver various financial services. More than 140 of our staff members volunteered to provide enquiry hotline services for visitors to Beijing from around the world. Our contributions won a high degree of unanimous approval from the Olympics Organising Committee and the China Banking Regulatory Commission (“CBRC”).

Amid the continuing spillover of the global financial crisis and the accelerating slowdown of China's economy, we made positive responses to the calls from the Chinese Communist Party and the State to support various measures for boosting domestic demand. Having overcome the effect of a number of adverse factors, we managed to realize the steady growth of total assets, further enhance the quality of our asset structure and achieve a substantial increase in our earnings to maintain our business growth at a healthy momentum, thereby delivering sound returns for our shareholders and investors.

The vehement turbulence in international financial markets, with a number of Wall Street financial institutions falling down, sent the global economy into a chilly winter. Despite that, we successfully completed our acquisition of the 100% stake in Wing Lung Bank, which has a history of 75 years in Hong Kong. Our New York Branch was also opened in Wall Street as the first Chinese bank branch approved to be established in the US after the introduction of the Foreign Bank Supervision Enhancement Act of 1991. By setting a foothold for CMB in the international market, a solid foundation was laid for sustaining its long term growth.

Domestically, small- to medium-sized enterprises (SMEs) suffered under the impact of the financial crisis and encountered increasing difficulties in financing. In view of this, we pointed out the need to step up the efforts in developing the SME business. We established the first small enterprise credit facility center in China to provide SMEs with professional financial services in a bid to help them survive the chilly business climate. Meanwhile, we also continued to deepen our efforts in developing the green credit facilities business. In 2008, we extended an accumulated total amount of loans of RMB24.9 billion to the renewable energy, clean energy and environmental protection industries. Besides, we also strengthened our cooperation with government departments and international environmental protection organizations. In particular, we kick-started the Sino-French Green Intermediate Credit Facility Project between China's Ministry of Finance and the French government.

Under the elevated investment risk due to the intense volatility in the capital market, we made active efforts in innovating new financial products and services, as well as providing investors financial education and planning support so as to help our customers preserve and grow their asset values.

Against the massive layoffs and increasing employment tension in the market, we employed more than 10,000 new recruits during the year. By way of internal analysis, we stepped up our efforts in staff training, thereby facilitating the realization and enhancement of the value of our human resources.

Active efforts were also made in breaking ground in our involvement in charitable activities. In 2008, we joined hands with Jet Li's One Foundation to launch the One Foundation Charity Credit Card (壹基金爱心信用卡). Combining charitable activities with our business operations, we also established the "Project Hope – CMB Special Sports Charity Fund" (希望工程-招商银行专项体育慈善基金), raising funds of RMB18.66 million for the construction of a "happy sports playground" for each of the 1,000 Project Hope primary schools.

As in the past, we kept up our support for Wuding County and Yongren County in Yunnan Province. In 2008, we assigned 4 poverty relief helpers to visit the villages in the two places to initiate the construction and repair work for Project Hope primary schools, distribute small amount revolving loans, setting up model villages and etc.

Our sincere contributions have won widespread recognition from all walks of life in society. In 2008, we received the honors of being ranked first in the “Top Ten Most Outstanding Listed Companies in Social Responsibilities in China”, “Best Corporate Citizenship in China”, “Most Caring Corporate in China”, “Poverty Relief Star in China (Corporate)”, “Pioneer of the China Livelihood Movement”, “Best Corporate in Innovation of Charity Model in China“, “China’s Benchmark Green Company” (中国绿色公司标杆企业), and “Top 50 Charity Corporations in China”. On top of the above, we were awarded the honorable title of “China’s Most Respected Enterprise” for 7 consecutive years.

In 2009, as the global financial crisis continues to spill over and spread, the negative economic effect keeps on surfacing in China and the world. In the face of the complex and changing economic and financial environment at home and abroad, we will react positively by turning the crisis into opportunities. In particular, we will work hard to enhance our management to achieve growth in a scientific manner. Meanwhile, as in the past, we will continue to commit ourselves to our corporate social responsibilities and to promoting social development and progress, in order to realize the maximum interests for our shareholders, customers and staff members.

About This Report

This report is the third corporate social responsibility report published by the Company.

The disclosures in this report cover the information relating to the performance by the Company of its corporate social responsibilities in 2008. Unless otherwise specified, this mainly involves the Company's headquarters and all branches in China.

The period covered by the report is from 1 January 2008 to 31 December 2008. For certain events, where the continuity in reporting requires, the timeline has been extended backward or forward as appropriate.

The report has been approved by the Board of Directors of the Company. All the operating and financial data mentioned herein are extracted from the 2008 audited financial report of the Company.

The report is available in the form of print copy or PDF electronic format. To read the electronic version, please download it from the Company's website.

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I. Riding through Serious Natural Disasters with the Affected Population

In the face of the catastrophes, the Company, as a corporate citizen, remained committed to fighting against the acts of God with the people in China through the deployment of various effective measures.

(1) “Joining Hands & Hearts for Earthquake Relief”

After the earthquake disaster occurred in Wenchuan, Sichuan, the Company reacted actively to the calls for action by the Central Government and the State Council by making use of the emergency fund to make donations for disaster relief and offer the necessary financial services in strict compliance with the relevant procedure stipulated by the CBRC. Up to 31 December 2008, the Company raised an accumulated total donation amount of RMB164 million.

<Company donations> At 10:00 on 13 May 2008, 20 hours after the disaster took place, the Company made an emergency donation of RMB8 million through the Red Cross Society of China for the relief and resettlement of the people in the areas seriously affected by the earthquake disaster. Together, its various branches also donated another RMB700,000.

<Staff donations> At 17:30 on 13 May 2008, the headquarters held a staff donation campaign under the title of “Joining Hands & Hearts for Earthquake Relief”. Under the leadership of the management of the headquarters, staff members made donations to the campaign. Branches at various locations also organized a range of donation activities to collect funds and materials for the cause. Altogether, more than 30,000 staff members made personal donations of more than RMB9.334 million and made special party contributions of RMB5.825 million.

<Customer donations> During the disaster relief period, the Company efficiently set up donation channels via counters, online banking, credit card enabled mobile banking, and phone banking to encourage customers to actively participate in the donation cause. The relevant handling fees were waived by the Company to facilitate the funds transfers, remittances and other services. The Company’s customers made an accumulated total donation amount of RMB130 million, which was collected by the Company for disbursement to charitable organizations, such as the Red Cross Society of China Headquarters, the China Children and Teenagers’ Fund, and the China Youth Development Foundation.

In cooperation between the Company and the China Youth Development Foundation, the donation amount of RMB18,385,418 and HK\$1,000 from the Company’s credit card holders was applied directly to the reconstruction of schools in the disaster areas.

On 10 June 2008, “Xiangyang Earthquake Relief Project Hope Primary School” was completed. Located at Ziyang Street, Jiannan Town, Mianzhu City, the school came as the first constructed under sponsorship by the Company’s credit card holders. Up to 31 December 2008, the Company’s credit card holders donated a total of RMB3 million for the construction of 7 earthquake relief Project Hope primary schools and secondary schools in those areas severely stricken by the disaster, including Mianzhu City, Mianyang City and Guangyuan City. The above will help 6,133 teachers and students to go back to school.

Basic Information of Disaster Recovery Project Hope Primary Schools (Secondary Schools)*

School name	School address	Principa I	No. of stud ents	No. of teac hers
Sichuan Province Mianzhu City Ziyang Primary School	No. 264, Ziyang Street, Jiannan Town, Mianzhu City, Sichuan Province	Tan Ke	1800	90
Sichuan Province Guangyuan City Lizhou District Baolun Primary School	No. 151, Zhendong Road, Lizhou District, Guangyuan City, Sichuan Province	Chang Hua	197	18
Sichuan Province Guangyuan City Lizhou District Jianping Secondary School	Group 11, Shuigui Village, Eastern Dam Office, Lizhou District, Guangyuan City, Sichuan Province	Fan Fulong	730	51
Sichuan Province Guangyuan City Lizhou District Yangjiahao Primary School	Yangjiahao Primary School, Hexi Street Office, Lizhou District, Guangyuan City, Sichuan Province	Yu Yuanchun	383	16
Sichuan Province Mianyang City Santai County Luxi Secondary School	No. 38, Tongmian Road, Luxi Town, Santai County, Mianyang City, Sichuan Province	Cao Fuwen	1000	29
Sichuan Province Guangyuan City Lizhou District Dashi Town Dashi Secondary School	Dashi Secondary School, Daishi Town, Lizhou District, Guangyuan City, Sichuan Province	Li Shouming	1050	64
Sichuan Province Guangyuan City Lizhou District Xuefeng Primary School	Jiuhua Village, Xuefeng Street Office, Lizhou District, Guangyuan City, Sichuan Province	Xie Guangyu	645	60

At the same time, the Company also applied RMB3 million in donations from its credit card holders to set up 50 sets of movie theatre systems (with a value of RMB2.5 million) and 50 Project Hope libraries (with a value of RMB500,000) in the earthquake stricken areas in Sichuan.

The emergency donation campaign sponsored by the Company’s credit card holders for the benefit of the earthquake stricken areas, after running for more than six months, was largely closed. The remaining balance will be donated for

the construction of permanent facilities, such as Project Hope primary schools and other ancillary facilities in the disaster stricken areas.

<Charity Financial Products> From 27 May to 2 June 2008, the Company offered the “Sunflower” Peaceful Returns Earthquake Relief Charity Special Financial Plan (“金葵花”安心回报爱心号之抗震救灾特别理财计划). The total proceeds of RMB285,803.37 from the management of such financial plans were all donated in the names of the investors to the China Charity Foundation for earthquake relief.

Beijing Branch On 4 August 2008, the Beijing Branch of the Company launched the charity trust financial product called “CMB Jinbao Charity” (招银进宝之爱心号). Together with the promoter China Development Bank and the co-issuer Citic Trust, the Company donated the expected proceeds of RMB9.6 million from the offerings of such financial product to the China Soong Ching Ling Foundation. This donation amount will be applied entirely to support projects for the construction of schools in the earthquake stricken areas in Sichuan. So far, such product is the banking financial product making the largest single donation to a charitable organization by way of a trust platform and offering a guarantee of reasonable returns to the investors at the same time.

<Financial services> On 21 May 2008, the Company issued in a timely manner the “Notice Regarding Making Further Contributions to the Earthquake Relief” to all the staff members and made the relevant arrangements. In particular, the Company required all branches to:

Make proper arrangements for the management of loans which were approved before the disaster such that no reminder, penalty interest and non-performing loan record should be made against the entities and individuals in the disaster areas who were unable to repay whatever loans on schedule, and that no action should be taken in jeopardy of such entities and individuals in obtaining other disaster relief credit support which may be extended to the disaster areas;

Under the precondition of proper risk control, efforts should be made to step up the credit support for individuals and relevant enterprises in the disaster areas so as to help them rebuild their homes and resume their production activities as soon as possible;

In respect of loan approval, a green channel should be set up for the priority handling and review of the credit transactions with customers in the areas severely affected by the disaster and other customers who are closely involved in the post-disaster reconstruction activities.

Chengdu Branch The Company’s branch entity in one of the disaster areas,

the Chengdu Branch, overcame a series of difficulties after the earthquake to continue delivering services to its customers. It was the only bank branch in Chengdu which remained in service without any disruption in operations after the earthquake. Its POS system operated smoothly throughout the period.

As a result, the Chengdu Branch was honored as the “Pioneer in the Disaster Relief and Home Reconstruction” (抗震救灾, 重建家园 工人先锋号) by the All China Federation of Trade Unions. It was also accredited as the “Leading Group Among the China Banking System in the Earthquake Relief Work” (中国银行业系统抗震救灾先进集体) by the CBRC, making it the only one joint stock commercial bank among the 40 bank institutions granted the award.

(2) China Merchants Bank’s Compassion Campaign for the Snowstorm

In the snowstorm disaster that hit Southern China early in the year, the Company initiated the “China Merchants Bank’s Compassion Campaign for the Snowstorm – Disaster Relief Donation Operation”. On the evening of 1 February 2008, the Company gave the green light for the first tranche of its donation of RMB6 million to the affected community through the Red Cross Society of China Headquarters. During the snowstorm, the Company also mobilized its staff to donate an accumulated total of RMB2.845 million. The donation was channeled to the disaster areas through the Sunflower Children Growth Fund, which was jointly established by the Bank and the China Children and Teenagers’ Fund, for the reconstruction of primary and secondary schools.

Besides, voluntary relief teams were organized by the Company’s branches in the affected areas. They made long journeys to the rail stations, long-haul bus stations, airports and other spots in those areas severely hit by the disaster to deliver emergency relief provisions, such as snacks, milk and blankets, to disaster victims.

II. Ten Years of Persistence in Designated Poverty Alleviation

In September 1998, the State Council Leading Group Office of Poverty Alleviation and Development designated Yongren County and Wuding County, which are governed by the Chuxiong Yi Autonomous Prefecture of Yunnan Province, as the designated relief counties for the Company. By the end of that year, the Company had already assigned a designated relief task force to carry out onsite studies in Yongren County and Wuding County. The task force worked with the government leaders of the Yunnan Province and Chuxiong Prefecture, as well as comrades in the two counties to establish the poverty relief roadmap as “pursuing new ideas for breakthrough, focusing on education as the key to poverty relief and seeing integrated development as the primary direction”. In May 1999, the Company deployed the first batch of poverty relief helpers to be stationed in Yongren County and Wuding County. So far, the Company’s poverty relief efforts in the two counties in Yunnan have gone on for a decade.

2008 marked the 10th year for the Company’s designated relief work in Yongren County and Wuding County in Yunnan Province. During the year, four poverty relief helpers were deployed by the Company to be stationed in the two provinces to carry out poverty relief work.

In 2008, the Company’s staff donated to the two counties a total sum of RMB4.374 million, as well as 27,371 pieces of clothing, 12,274 copies of books (with a value of RMB334,000) and 71 sets of computers. Besides, the Company also granted an additional RMB2 million (making an accumulated total of RMB4 million) in small credit facilities to the two counties.

In May, CMB convened a seminar on poverty relief work. Tang Zhihong, labour union director and the vice president of China Merchants Bank, met with the party delegation from Wuding County of Yunnan Province to discuss ways to take the poverty relief work to a deeper level.

In July, Ma Weihau, President of China Merchants Bank, led a study mission to Yongren County and Wuding County and to give his regards to the people there.

In August, the earthquake in Panzhihua caused severe economic damage to the two counties. The Company immediately sent its condolences to them and made timely adjustments in its poverty relief plans to boost the relief efforts to help the two counties carry out post-disaster reconstruction works, with the focus on ensuring the safe operations of the Project Hope primary schools sponsored by China Merchants Bank.

China Merchants Bank’s Donations to Yongren County and Wuding County in the Past 3 Years

Year	County	Total amount (RMB)	Value of Vehicles Donated (RMB)	Disaster Relief (RMB)	Clothing (pieces)	Stationery (RMB)	Computers (sets)	Books (copies)	Books (RMB)	Conference Rooms (RMB '0000)	Small Amount Revolving Loan Amount (RMB'0000)
2008	Yongren	2,300,000		50,000	11,289		23	6,137	155,239.5		
	Wuding	2,074,092.69			16,082		48	6,137	179,239.5		
	Total	4,374,093		50,000	27,371		71	12,274	334,479		400
2007	Yongren	1,463,098.15	500,000		6,000	50,000	270	11,093	397,803		
	Wuding	1,463,098.15	500,000		5,000	14,000	49			20	
	Total	2,926,196.30	1,000,000		11,000	64,000	319	11,093	397,803	20	200
2006	Yongren	1,408,202.61		30,000	150		88	13,100	200,000		
	Wuding	1,546,002.60				36,000	117	11,047	167,619.05		
	Total	2,954,205.21		30,000	150		205	24,147	367,619.05		200

China Merchants Bank's Scholarship Donations to Yongren County and Wuding County in the Past 3 Years

Year	County	Total Scholarship Amount (RMB)	Total Number of Scholarship Receivers	Number of Existing Scholarship Receivers	Number of New Scholarship Receivers
2008	Yongren	300,895	410	329	81
	Wuding	349,520	470	255	215
	Total	650,415	880	584	296
2007	Yongren	245,791	416	287	129
	Wuding	289,828	481	415	66
	Total	535,619	897	702	195
2006	Yongren	268,650	490	421	69

6	Wuding	257,380	462	375	87
	Total	526,030	952	796	156

The Use of Donations by CMB to Yongren County & Wuding County in the Past 3 Years (Partial) (1) – Repair and Construction of Project Hope Schools

Construction Year	County	School Name	Progress Status	Location	Total Project Investment (RMB'000)	Contributions by CMB (RMB'000)	Benefits
2008	Yongren	Liangtian Project Hope Primary School (Reconstruction)	Completion expected in April 2009	Yongding Town	135	100	For accommodation of at least 400 students. Upon completion, students from dangerous school buildings in nearby villages will move in to receive education under the same roof as well (307 students of the school have been taking classes in makeshift facilities after the earthquake).
		Chengguan Secondary School Female Students Dormitory	Completion expected in March 2009	Chengdong Suburb	150	50	Gross floor area exceeding 1,200 square metres will be available to accommodate all 358 female students of the school (who had been living in crowded conditions in makeshift facilities after the earthquake).
	Wuding	Jiyi Xiang Banqiao CMB Project Hope Primary School	Completion expected in April 2009	Jiyi Xiang Pingshan Village Committee	89.16	47.5	The school covers 11 natural villages governed by the Pingshan Village Committee, including four ethnic groups, Han, Yi, Su and Miao. Currently, the school has 5 classes, 7 staff members, 75 students, including 65 boarders. Upon completion, the school building can accommodate up to 120 students.
		Wande Xiang Madeping CMB Project Hope CMB Primary School	Completion expected in March 2009	Wande Xiang Madeping Village Committee	38.5	38.5	The school covers 10 of the 20 village groups governed by the Madeping Village Committee. Currently, the school has 5 classes, 8 staff members, 119 students, including 87 boarders.
		Total contributions by CMB (RMB'000)	236				
2007	Yongren	Yongxing CMB Project Hope Primary School	Completed in June 2008	Yongxing Xiang	50	50	The school covers 24 natural villages and currently has 7 classes, 11 staff members and 192 students.

Wudi ng	Limi CMB Project Hope Primary School	Complete d in June 2008	Tianxin Xiang Limi Village Committee	55	30	The school covers 12 natural villages and currently has 11 classes, 12 staff members, and 384 students, including 200 boarders.	
	Shenghui CMB Project Hope Primary School	Complete d in August 2008	Huanzhou Xiang Wugujing Village Committee	33	33	The school covers 15 natural villages and currently has 6 classes, 7 staff members and 104 students.	
	Leigang CMB Project Hope Primary School	Complete d in August 2008	Shishan Town Leigang Village Committee	30	30	The school covers 7 natural villages and currently has 7 classes, 7 staff members and 194 students.	
	Dongpo CMB Project Hope Primary School	Complete d in August 2008	Dongpo Xiang Central Primary School	35.38	35.38	The school covers 10 natural villages and currently has 9 classes, 22 staff members and 276 students, including 165 boarders.	
Total contributions by CMB (RMB'0000)		128.38					
200 6	Yongr en	Yijiu Town CMB Project Hope Primary School	Complete d in May 2007	Yijiu Town	33	33	The school covers 5 square kilometers and currently has 6 classes, 7 staff members and 106 students.
Wudi ng	Fawo Xiang Garden CMB Project Hope Primary School	Complete d in May 2007	Fawo Xiang Garden Village	55.12	34.1	The school covers 16 natural villages and currently has 5 classes, 3 staff members and 98 students, including 85 boarders.	
	Shishan Town Gubo CMB Project Hope Primary School	Complete d in May 2007	Shishan Gubo Village Committee	40	35.05	The school covers 11 natural villages and currently has 8 classes, 11 staff members and 275 students, including 136 boarders.	
	Mugaogu CMB Project Hope Primary School	Complete d in May 2007	Bailu Xiang Pingdi Village Committee	11.9	8.3	The school covers 1 natural village and currently has 1 class, 1 staff member and 17 students.	
	Luwuka CMB Project Hope Primary School	Complete d in August 2007	Dongpo Xiang Dawo Village Committee	12	12	The school covers 2 natural villages and currently has 1 class, 1 staff member and 15 students.	

Total contributions by CMB (RMB'0000)	122.45
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**The Use of Donations by CMB to Yongren County & Wuding County in
the Past 3 Years (Partial) (2)——Model Villages**

Year	County	Construction Project	Amount (RMB'0000)
2008	Yongren	CMB Yangyu River Sericulture Industry Poverty Relief Model Project	3
	Wuding	Disaster Recovery of 8 Farming Households in the Dongpo Xiang Dongdian Village Committee	2.5
	Total	5.5	
2007	Yongren	Yongding Town Socialist New Farming Village Pilot Project —— Wanshan Zhuge Village (Phase II)	35
		CMB Yangyu River Sericulture Industry Poverty Relief Model Project	20
		Lewu Village CMB Model Ditch	2
		Zhonghe Xiazhi Village Committee Zhonghe Old Street Secondary School Water Regulation Project	9
		Laohuaishao Village Committee Water Regulation Project	2
	Wuding	Jiyi Xiang Banqiao Village Water Infrastructure Reinforcement and Reconstruction Project	10.98
		Gaoqiao Town Gaoqiaoda Village Majie Slope Road and Bridge Construction Project	3
Total	81.98		
2006	Yongren	Yongding Town Socialist New Farming Village Pilot Project ——Wanshan Zhuge Village (Phase I)	30
	Wuding	Jiyi Xiang Banqiao Village Water Infrastructure Project	10.27
		Maojie Yigagu Village Potable Water Infrastructure Project	3.7
	Total	43.97	

The Company's sincere poverty relief efforts have won widespread recognition from all quarters of society. In particular, it was accredited jointly by the China Foundation for Poverty Alleviation and the Zhongguo Caifu Magazine Publisher (中国财富杂志社) as the "Poverty Relief Star in China (Corporate)" and "Leading Group for Poverty Relief to the Community in Yunnan Province" (云南省社会扶贫先进集体).

III. In-depth Development of Green Credit Finance and Implementation of Various Energy-Saving and Emission-Reduction Measures

As a socially responsible corporate, the Company always place a high degree of emphasis on resources conservation and environmental protection issues.

(1) Green Credit

In 2008, the Company issued the “Guiding Opinions on Green Finance Marketing of CMB”, which set out the guidelines of “professional marketing, credit support, diversified cooperation and efficiency first”. At the same time, the Company established the “Green Finance Working Group”, comprising business operators from the relevant departments, and being responsible for formulating operation standards for green finance across the bank, setting up operation systems for green finance and developing relevant products.

1. More Investments in Green Credit Financing

China Merchants Bank’s Green Credit Financing Statistics 2008
Unit: RMB’0000 (round up)

Type Month	I Renewable Energy		II Clean Energy	III Environmental Protection*	Total
	Hydraulic Power	Wind Power, Solar Power & Other Energy Sources	Nuclear Power		
Jan	122,604	32,253	10,000	88,440	253,297
Feb	56,571	1,770	235,979	63,200	357,520
Mar	58,000	27,301	40,000	12,030	137,331
Apr	130,000	19,256		376,319	525,575
May	30,950	9,200	2,000	76,350	118,500
Jun	254,125	34,730		61,449	350,304
Jul	44,500	31,000	15,000	45,360	135,860
Aug	11,375	23,700	2,000	48,533	85,608
Sep	66,300	57,400	59,000	67,532	250,232
Oct	16,000	55,350	17,152	7,787	96,289

*Environmental protection sectors: including the environmental pollution treatment solution raw materials manufacturing industry, the environmental pollution prevention equipment manufacturing industry, the environmental conditions monitoring equipment and apparatus manufacturing industry, the environmental conditions monitoring service industry and the water, environment and public facilities management industry.

Nov	19,200	11,270	1,845	4,795	37,110
Dec	93,354	4,850	34,150	12,844	145,198
Total	902,979	308,080	417,126	864,639	2,492,824

2. Contraction of and Withdrawal from Double High Sector Loans

In 2008, the Company identified high energy consumption and high pollution sectors as the key industries for risk review. Specific risk reviews were carried out on cement, power generation, textile and dyeing industries as part of the consolidated risk assessment. At the same time, loans made available for them were contracted as the Company sought to withdraw from these sectors.

During the credit review process, the Company insisted on the assessment of environmental protection as an indispensable condition for granting credit to the “double high” sectors. As at the end of 2008, the outstanding loan balance due from the “double high” sectors to the Company amounted to RMB97.193 billion, representing 18.99% of its corporate loans as a whole. Apart from the power industry, of which the share as a percentage of the total was higher than that at the beginning of the year, the Company’s outstanding balances due from other sectors were under good control. Nevertheless, the power industry is an infrastructure industry and loan customers from this industry are mainly nationwide or regional mega-sized premium enterprises. The non-performing loan ratio of the “double high” sectors was 0.9%, which was 0.08 percentage point lower than that at the beginning of the year and was at a relatively low level.

Loans Due from the “Double High” Sectors to CMB at the End of 2008 Unit: RMB'00 million (round up)

Double High Sectors	Outstanding Balance	As a Percentage of Corporate Loans	Change from the Beginning of the Year (Percentage)	Non-Performing Loans	Percentage	Non-performing Loan Percentage Change from the Beginning of the Year
Oil processing, refinery, and nuclear fuel processing industries	55.18	1.08%	0.36%	0.02	0.03%	-0.03%
Chemical raw materials and chemical products manufacturing industries	132.52	2.59%	-0.04%	0.99	0.75%	-0.16%
Non-metal mineral resources manufacturing industries	71.27	1.39%	0.24%	0.51	0.71%	-0.96%
Ferrous metals smelting and rolling industries	176.98	3.46%	-0.42%	0.68	0.39%	-0.03%
Non-ferrous metals smelting	105.46	2.06%	0.50%	1.19	1.13%	-0.81%

and rolling industries						
Power generation	430.52	8.41%	2.44%	5.33	1.24%	0.15%
Total	971.93	18.99%	3.08%	8.73	0.90%	-0.08%

3. Stepping up the Establishment of the Green Finance System

Following the inclusion of the environmental protection industry and carbon trading in its scope of focused industries in 2007, the Company introduced in 2008 a credit policy specifically for the renewable energy industry to increase its support for the sector.

In the first quarter, the Company released the “2008 Credit Policy”, requiring new projects to comply with its environmental impact assessment review, energy saving assessment requirements, and that the design, construction and operation of the environmental assessment facilities must all be carried out simultaneously with the main constructions.

At present, the Company intends to release soon its credit policy with respect to contractual energy management and energy efficiency standards. Meanwhile, the Company is also making a keen effort in the establishment of its green finance system to improve data mining, analysis and appraisal in this regard with reference to a set of business system benchmarks.

4. Active Search for Strategic Partners

To provide all-round services to energy saving and environmentally friendly enterprises, the Company studied the best practices at home and abroad by expanding its scope of strategic partnership with domestic and overseas financial peers and the relevant organizations.

In 2008, the Company activated the Sino-French Green Intermediate Credit Facility Project between China’s Ministry of Finance and the French government. As one of the three refinancing banks, the Company obtained EUR20 million in long-term low-interest refinancing funds and EUR200,000 in gratis technology subsidies from France. From 11th to 13th November 2008, a series of green finance training sessions were held in Yunnan under the auspices of the French government. During those sessions, experts from the National Development and Reform Commission and the Energy Management Company Association in China portrayed the huge potential brought by energy efficiency management, new energy sources and climate change to the market in China, as well as the features and risk analyses of various related renewable energy sources and energy efficiency projects. They also had discussions with participants about the green finance business.

In addition, the Company also embarked on cooperation with the China Beijing Environment Exchange, the Shanghai Environment Energy Exchange, International Finance Corporation and Peony Capital to make contributions

towards energy conservation and remission reduction.

5. Speeding up the Development of Green Finance Products

In 2008, the Company developed a wide range of green credit facility products, including the Green Equipment Purchase Credit Facility (绿色设备买方信贷) and the Energy Saving Service Provider Project Loan (节能服务公司专项贷款). At the same time, the Company also offered other value-added services to its customers. For example, assistance was provided to customers with needs for emission reduction to look for international buyers under the Clean Development Mechanism (“CDM”) and to actively facilitate the conclusion of CDM transactions; referring customers with the intention to invest in the renewable energy sources and energy efficiency sectors to relevant private equity funds; and further building up connections with leading domestic and overseas enterprises engaged in the renewable energy sources and energy efficiency sectors so as to bring customers within access to advanced technologies and business partners in those realms.

(2) Workplace Energy Saving and Emission Reduction

In 2008, the Company stepped up its promotion to strengthen the energy saving awareness of all the staff. Moreover, great efforts were made in creating a positive atmosphere for the development of a resources conserving and environmentally friendly community at the workplace.

Headquarters The following energy saving measures were adopted for the headquarters at CMB Tower:

1. Displaying promotion campaign banners for setting the air-conditioned room temperature at 26°C;
2. Forbidding the opening of windows when the air conditioners are on;
3. Requiring that the lights and air conditioners be turned off whenever the office is not occupied;
4. Requiring that lights and part of the air conditioning be turned off during the lunch break;
5. Computer-controlled central air conditioning and lighting made available for office floors without standalone facilities;
6. Requiring that lights and air conditioners be turned off after office hours and that compliance inspection patrols be carried out by security guards;
7. Requiring staff members working overtime to apply for extra lighting and air conditioning to be approved by their supervisors;
8. Conducting performance appraisals of the property management company in respect of electricity, water and gas consumption for the operations of the building;

9. Conducting annual performance appraisals of the building in energy consumption and establishing the energy saving incentives system.

2005-2008 Total Electricity Consumption by the Headquarters Unit: kWh 2005-2008 Total Water Consumption by the Headquarters* Unit: tonne
(including tenants & banking floors plus common areas) (including tenants & banking floors plus common areas)

Year Month	2005	2006	2007	2008	Year Month	2005	2006	2007	2008
Jan	1,032,000	1,188,000	1,008,000	1,144,080	Jan	4,328	4,974	4,691	5,524
Feb	876,000	768,000	912,000	942,120	Feb	3,877	5,072	4,095	3,761
Mar	1,080,000	1,188,000	1,080,000	1,187,280	Mar	4,769	5,452	5,486	5,874
Apr	1,176,000	1,284,000	1,152,000	1,294,800	Apr	6,013	6,594	5,846	5,734
May	1,332,000	1,184,000	1,281,600	1,443,600	May	7,089	6,382	6,538	6,626
Jun	1,440,000	1,416,000	1,434,360	1,441,920	Jun	6,610	7,160	7,392	7,277
Jul	1,740,000	1,464,000	1,510,080	1,605,240	Jul	9,719	7,985	8,025	7,728
Aug	1,644,000	1,500,000	1,520,760	1,537,800	Aug	8,206	8,659	7,535	8,171
Sep	1,176,000	1,284,000	1,419,840	1,423,920	Sep	9,288	6,357	7,619	7,084
Oct	1,332,000	1,212,000	1,242,000	1,488,720	Oct	7,728	6,403	6,478	7,786
Nov	912,000	1,152,000	1,105,920	1,282,200	Nov	6,429	5,808	5,947	7,219
Dec	1,428,000	1,056,000	1,274,760	1,227,240	Dec	5,428	5,642	5,690	5,934
Total	15,168,000	14,696,000	14,941,32	16,018,920	Total	79,484	76,488	75,342	78,718

Chengdu Branch Energy consumption was reduced and operating costs were saved by way of strengthening micro-management. For example, the “Office Supplies Purchase and Requisition Management Measures” were established; the photocopy register and approval administration procedures were implemented; a management system was set up to control the operating hours of portal and side light boxes throughout the office building; standardized control was applied to the on/off time of central air-conditioning while allowing timely notices to be made to the property management for adjustments based on the temperature of the day.

Beijing Branch The portal and side light boxes of its office building were replaced by acrylic boxes powered by LED lights, saving approximately 70% power consumption compared with ordinary light boxes; the lighting source for the front access light box was changed from ordinary fluorescent tubes to energy saving fluorescent tubes, saving approximately 30% power consumption; time control devices were installed to standardize the on/off time of light boxes; the front desk lighting facilities of all floors of the branch were modified to save power consumption by approximately 180 kWh per month; certain spotlights at the multi-purpose function room at the branch were modified to save approximately 50% power consumption; the air-conditioned

room temperature was strictly controlled at not lower than 26°C in the summer and not higher than 20°C in the winter.

IV. Leveraging Its Own Strengths and Going Through Difficult Times with the Small and Medium-Sized Enterprises

It is always the Company's mission and objective to take into account social livelihood while achieving growth in its economic benefits by enhancing the social benefits resulting from its use of funds.

In 2008, the Company remained committed to its SME business development strategy. Under the impact of the global financial crisis and the slowdown of domestic economic growth, President Ma Weihua pointed out that "giving a lifeline to enterprises is equal to giving a lifeline to ourselves". As such, the Company made timely strategic adjustments to strive to enhance its SME financial service standard by placing the priority on products and the focus on processes and seeking guidance from performance appraisals, as well as the search of excellence in professionalism.

(1) Increasing Credit Support to Key Customer Groups

Up to the end of 2008, the Company had outstanding loans to SMEs in the amount of RMB220.537 billion, representing an increase of RMB31.019 billion, or 16.37%, from the beginning of the year. The share of SME loans as a percentage of the Company's domestic loans was basically unchanged from last year. Meanwhile, there was a steady improvement in its credit asset quality, resulting in a decrease in both its non-performing loans and non-performing loan ratio. On the whole, the Company's SME credit business was on a solid growth track.

During the past three years, the Company extended an accumulated total loan amount of RMB500 billion to over 10,000 SME loan customers, resulting in a 58% increase in the number of SME loan customers and a 57% increase in the outstanding loans to such customers. In this way, the Company made a positive impact in supporting employment and society as a whole.

The Trends of China Merchants Bank's SME Loans Unit: RMB'00 million (round up)

Year	2006		2007		2008	
	Balance	Percentage	Balance	Percentage	Balance	Percentage
Medium-sized enterprises	1,025.59	28.81%	1,311.16	29.83%	1,532.45	29.95%
Small-sized enterprises	375.45	10.55%	584.02	13.29%	672.92	13.15%
Total	1,401.04	39.36%	1,895.18	43.11%	2,205.37	43.10%
General loans to the domestic market	3,559.24	100.00%	4,395.67	100.00%	5,117.40	100.00%

	NPL	Percentage	NPL	Percentage	NPL	Percentage
Medium-sized enterprises	52.56	5.13%	40.30	3.07%	37.03	2.42%
Small-sized enterprises	33.61	8.95%	26.33	4.51%	21.99	3.27%
Total	86.17	6.15%	66.63	3.52%	59.02	2.68%
General loans to the domestic market	113.47	3.19%	94.87	2.16%	80.53	1.57%

The Company focused on the following nine customer groups in extending its SME loans:

<Nine Key SME Customer Groups> Manufacturing industries with a certain degree of competitive edge and mainly focused on the domestic market; manufacturing, service-related and trading enterprises which are involved in activities in support of the key industries, core enterprises or key projects; logistics and trading enterprises with an edge in branding, distribution channels and servicing; technology-related SMEs and technology processing enterprises with stable sales which are technologically advanced and have ownership in proprietary intellectual property rights, which have been transformed into productivity; service-related enterprises which have advanced operating models, outstanding operating results and a certain degree of influence in the regional or even national market; SMEs which provide construction or ancillary activities for infrastructure facilities; SMEs which are involved in the pharmaceutical, medical or public health sectors and are backed by cash flows; SMEs which are engaged in energy saving and emission reduction, environmental protection engineering and new energy sources investments and the manufacturing of the related equipment; manufacturing enterprises which focus on the external market and will continue to enjoy outstanding cost advantages in the future.

The Company strictly restricted itself from extending credit to the following seven SME groups:

[Seven Restricted SME Groups] SMEs which are involved in industries expressly prohibited by the State; SMEs which continue to employ outdated techniques and outdated technology in their manufacturing operations; SMEs which carry products of poor quality and no market prospects, cause severe environmental pollution, employ materials with a high level of energy consumption and are subject to potential safety hazards; investment-type SME property developers or SME property developers without existing development projects; SMEs whose authorized representatives or beneficial owners have a poor credit record or are involved in economic disputes of a material nature or suspected to have committed an offence; SMEs which have defaulted on repaying any bank loan principal or interest, have a record of tax evasion,

defraud on remittances or falsifying any financial information report; SMEs which blindly pursue diversified investments and carry an extremely high gearing ratio.

In the future, the Company will continue to step up its credit support for SMEs. Under its plan for new credits in 2009, SME loans will account for a share of more than 40%.

(2) Ongoing Innovation of New SME Financial Products and Services

In 2008, the Company made aggressive efforts in expanding its emerging SME middleman business. Financial consultancy, advisory and other investment banking services were offered to SMEs to help them manage their idle funds and enhance the rate of return on their idle capital. Meanwhile, cash flow management services were also offered to SMEs. The Company developed the online enterprise banking services specifically for the SMEs to provide them with speedy and convenient cash settlement and cash management services.

In the future, the Company will go on to provide SMEs with financing facilities secured by real estate, movable assets and receivables, as well as supply chain financing services revolving around aids to trade, including factoring, trade finance, bills discounting, documentary credit financing and all sorts of non-financial guarantees in relation to business activities, and offer electronic financing tools such as electronic bills and online letters of credit.

(3) Exploring the Potential of Establishing Professional SME Service Entities

On 18 June 2008, the Company set up China's very first SME Credit Facility Center in Suzhou, pioneering the mode of operation of a professional SME service entity in the form of an independent secondary legal person.

The center has adopted the following seven practices in its operations: standardized management, professional teams, standardized products, economies of scale, established business processes, independent auditing, and risk diversification. The Company intends to establish branches for the SME Credit Facility Center in major economic cities based on its existing network in the next three years. A vertically integrated management model will be adopted and a score-card system will be employed to achieve the factory-style operation mode.

On 4 December 2008, the Company's application for the licence to operate the SME Credit Facility Center was formally approved by the CBRC, thereby becoming the first financial institution in the mainland banking industry qualified to own a SME credit facility business franchise.

(4) Implementing Differential Management By Region

In view of the intricacy of the current situation, the Company has implemented various new initiatives for its SME loans, including the pursuit of differential development by region and the introduction of the Probability of Default (PD) and Loss Given Default (LGD) models to conduct quantitative risk management.

Hangzhou Branch In light of the economic characteristics of Zhejiang Province, the Hangzhou Branch has positioned itself in the market in a precise manner and has identified high quality SMEs as its principal customer base. In recent years, the Hangzhou Branch has extended credit totalling RMB250 billion to SMEs in Zhejiang, providing support to a large number of outstanding SMEs.

In 2008, the Hangzhou Branch fully capitalized on its advantage of being located in the SME start-up base. By making in-depth efforts in market research and study, gathering ideas and intelligence from different sources, and targeting the characteristics of SMEs in Zhejiang, the Hangzhou Branch developed 14 new products revolving around their supply chains, cash flow patterns and business processes control. As soon as they were launched, those product series won the attention and approval of a majority of the SMEs. Its “SME Financial Guarantee Integrated Solutions – SME Financial Guarantee Yilutong” (中小企业融资担保解决综合方案——中小企业融资担保一路通), including the six series called Domestic and Overseas Guaranteed Yilutong (内外担保一路通), the Invoicing Yilutong (发票订单一路通), the Leasing Credit Guarantee Yilutong (租赁信保一路通), the Foreign Trade Financing Yilutong (外贸融资一路通), Equipment & Goods Yilutong (设备商品一路通) and Special Rights Yilutong (特殊权利一路通), were granted the “2008 Most Favourite Brands of the Younger Generation in Zhejiang – the Influential Brands Award” (2008 浙江青年最喜爱的品牌之——影响力奖) and the Best Product Design Award (最佳产品设计奖) at the CMB 2008 Brand Marketing Summit.

Nanjing Branch On 28 November 2008, a signing ceremony was held with regard to cooperation between the Nanjing Branch and the Jiangsu SMEs Council (江苏省中小企业局) in promoting the development of SMEs. Upon the signing of the agreement, the Nanjing Branch will extend credit facilities in the amount of RMB6 billion to qualified SMEs within the three years from 2008 to 2010. With the focus particularly on Nanjing, Wuxi, Changzhou and Yangzhou, the Nanjing Branch will be actively engaged in financial innovation and cooperation to fully satisfy the individual needs of SMEs by providing them with tailor-made financial products and solutions, including short-term financial securities.

Dongguan Branch The Dongguan Branch responded positively to the

“Double Transformation” Strategy advocated by the Dongguan Municipal Government to step up its support for the SMEs. Currently, the branch has 118 SME customers, with a total loan amount representing 60% of its total corporate loans. By doing so, the Dongguan Branch has fostered the growth of a group of SME customers in accordance with the transformation requirements laid down by the Dongguan Municipal Government. In addition, the Dongguan Branch has actively innovated certain new credit facilities in line with the characteristics of the financing needs of the SMEs in Dongguan. Breakthroughs have been made in the way the credit facility is provided and the form of guarantee in order to offer more choices and possibilities for SME financing.

In November 2008, Dongguan City formally introduced the “RMB1 Billion Financing New Deal” and various major financial institutions in the city also successively rolled out the relevant financing schemes. As a sponsor bank, the Dongguan Branch took part in diverse financial advisory seminars to address the queries of SMEs.

V. Providing Quality Services to the Olympic Games and Continuously Raising Customer Service Standards

Under the philosophy of “We are here just for you”, the Company sees satisfying customer demand as the ultimate objective of every facet of its business. In this connection, it seeks to enhance its customer experience on an ongoing basis by delivering its products and services to the total satisfaction of its customers while safeguarding their legal interests.

In 2008, the Company put the following tasks at the top of its agenda for the delivery of high quality services for the Olympics: optimization of foreign exchange services, strengthening the supporting services for the Olympics and the management of ATM machines, improving the efficiency and quality of its customer complaints handling mechanism, and implementing various contingency management measures. Its focus was to ensure the efficient and smooth provision of financial services in the five Olympic cities, namely Beijing, Qingdao, Shanghai, Tianjin and Shenyang.

(1) Provision of High Quality Services in Support of the Olympics

1. Assignment of Olympic Volunteers

On 31 May 2008, the “XXIX Olympic Games Organising Committee Audience Call Center”^{*} Signing Ceremony was held in Beijing. As the biggest volunteer unit directly recruited by the organizing committee for the “Audience Call center”, the Company was the first signatory in the signing ceremony with the Beijing Olympics Organising Committee and the Customer Relationship Management Committee of the China Federation of IT Promotion.

Following robust internal training, rounds of screening and tests by the Beijing Olympics Organising Committee, the 142 volunteers from the Company’s Credit Card Center and Phone Banking Center were honorably selected to join the lineup of Olympic volunteers to provide answering services to the Olympic spectators who visited Beijing from around the world. They delivered outstanding performance in handling contingency events, complaints and online enquiries with a high degree of flexibility, and displayed a great standard in service attitude, service level and professionalism.

The volunteer teams from the Company’s Credit Card Center and Phone Banking Center were all accredited as the “Honorable Team with Outstanding

^{*}The 29th Olympic Games Audience Call Center: A professional service entity jointly established by the Beijing Municipal Government and the Beijing Olympics Organising Committee to provide various information in multilanguages to spectators from around the world, including the details of the games, venues, spectator rules, ticketing, security checks, franchised products, cultural activities and games venues outside Beijing. As one of the important spectator service providers for the Beijing Olympics, the call center was committed to the provision of comprehensive and personalized information services to address spectators’ enquiries, handle service applications, forward service complaints to the relevant parties, establish the communication links and networks between guests from different quarters and the Beijing Olympics Organizing Committee, to allow visitors to Beijing to experience a great level of service. In essence, the call center represented the highest standard of call center service in China.

Contributions Towards Olympic Games Back-up Services” (奥运会运行保障突出贡献荣誉团队), and were respectively granted the “Excellent Volunteers in the Beijing Paralympics” (北京奥运会残奥会优秀志愿者) and the “Award of Outstanding Contribution for the Olympic Audience Call Center” (奥运观众呼叫中心杰出贡献奖). Among them, one member was even granted the “Award of Outstanding Contributions Towards the Olympic Audience Call Center’s Operations Management” (奥运观众呼叫中心运行管理突出贡献奖); 23 members received the honor of “Excellent Individual Volunteer in the Beijing Olympics and Paralympics” (北京奥运会、残奥会志愿者先进个人); and 33 members were named as “Outstanding Volunteer in the Olympic Audience Call Center” (奥运观众呼叫中心杰出志愿者).

2.

2. Heart-to-heart Services 2008 (感动服务 2008)

To deliver the best financial services for the Olympics, the Company kick-started the “Heart-to-heart Services 2008” campaign in early 2008. A series of measures was adopted to ensure that financial services were provided to the satisfaction of the athletes and workers who took part as representatives of over 220 countries and regions.

Special counters, advisers and ambassadors were deployed at all branches, and specific service handling procedures were also formulated to provide foreign customers with timely financial services in respect of foreign exchange, traveller’s cheques cashing, overseas credit cards, service enquiries and complaints handling.

The Company’s branches in the 5 Olympic cities all added foreign exchange counters, where appropriate, in Olympic venues, airports, hotels and service points in major travel routes and large-scale shopping malls. Besides, during the Olympic Games, their service hours were extended to 8 p.m. on weekdays, as well as, regarding foreign exchange services, to Saturdays and Sundays. Reception managers were recruited as required on a case by case basis such that at least one staff member would be able to communicate fluently with foreign customers. Bilingual service signages were put up in all service zones in the business hall and at every service counter, while bilingual or multilingual interface was installed for the ATM machines.

As for the phone banking center and the credit card call center, bilingual service stations were added to ensure that 7x24 English language customer services were offered without a glitch by the service hotlines and the All in One Net. In particular, the 95555 manned hotline service provided the Putonghua and English language service for 7x24, and the Cantonese, Japanese and Korean language service for the prime hours in daytime. During the Olympic Games, the two centers handled a total of 775 calls with a 99% pick-up rate.

On 17 November 2008, the China Banking Industry's Financial Services for the Olympics Closing Ceremony was held in Beijing. 47 of the Company's branches and sub-branches were accredited as the "2008 China Banking Industry's Model Civilized Service Provider" (2008 年度中国银行业文明规范服务示范单位) and more than 10% of the Company's service points (including all the service points of the Shenyang Branch) received honors.

The Qingdao, Xi'an and Shenyang Branches were recognized by their local CBRC authorities as the benchmarks for banking services for the Olympics. The services offered for the Olympics by other branches, such as those in Beijing, Nanjing, Urumqi, Nanchang, Shenzhen and Wuhan, also won praise from their local CBRC authorities. In particular, the Shenzhen Branch as a whole was named as the "Model Provider of Civilized Services" (文明规范服务示范单), and its service points were visited for on-site study by representatives from 40 provincial and municipal member banks of the China Banking Association.

(2) Enhancing Customer Satisfaction on an Ongoing Basis

In 2008, the Company continued to make substantial efforts in customer service and product innovation.

In March, the Company established the Overall Service Supervision and Management Committee, being presided over by President Ma Weihua, and its subordinate Overall Service Supervision and Management Center, to monitor, evaluate and appraise the design, operation and service quality of the service systems throughout the Company.

The online "Voice of Customer" (客户之声) complaints handling system was implemented to enhance the complaints handling procedures in order to make the Company's complaints management and handling process more standardized and professional to achieve a higher level of customer satisfaction. Throughout the year, under the combined efforts of the Company's sections at different levels, substantially most of the complaints were resolved properly, resulting in a 99% customer satisfaction.

Foshan Branch To deal with the problem of long queues for customers, the Foshan Branch carried out a fast-track implementation of the service point process enhancement program introduced by the headquarters. By refining the classification of customers, the business areas were redesigned into seven sections, namely the reception zone, self-service zone, financial service zone, priority banking zone, waiting zone, integrated service zone and fast-track zone. In this way, based on the nature of their transactions, customers entering the service points will be led to the zone in which their transactions can be dealt with in the shortest time. By providing customers with this professional one-stop service model to replace the previous practice of one-counter-serves-all, the problem of long queues was effectively resolved.

The Fo Shan Association of Banks gave high praise to the above initiative and found the Foshan Branch's Service Point Process Enhancement effective in channeling customers and taking care of customers' expectations and concerns by resolving the long queue problems with forward-thinking ideas.

(3) Continued Running of the "Financial Education Charity Walk" Program (财教育公益行)

Under the massive corrections in the capital markets in 2008, many investors found themselves facing unprecedented difficulties or a catch-22 situation. Focusing on customer demand, the Company continued to run its "Wealth Management Education Community Tour" to help its customers and investors at large to improve their financial management skills and enhance their risk control capacity so as to achieve mutual growth with the market.

On 26 April 2008, the opening ceremony and the first seminar of the second "CMB's Second Wealth Management Education Community Tour" were held in Beijing.

The program lasted for eight months until the end of 2008. During the period, the Company was closely engaged with the community, business circles, as well as university and college campuses by holding more than 1,000 financial seminars in 45 mainland cities.

In July 2008, the Company organized the "Chinese Style Financial Management" Blog Guru Contest ("中国式理财"博客精英赛) as part of the series of activities under the "CMB's Second Wealth Management Education Community Tour". At the same time, the Company made use of the internet to allow the public to freely download the "Financial Education Handbook" (理财教育手册), which was published by the Company. Also, the Company organized the web-based "Financial Management Forum" (理财大讲堂) to provide a platform for general investors to exchange their ideas with experts.

In addition, the Company also carried a column called "Chinese Style Financial Management" (中国式理财) under the program in newspapers and magazines through cooperation with the first-rate financial media in China. Authoritative experts were invited to contribute articles to the column as an expert financial education series.

In the "Chinese Style Financial Management" Blog Guru Contest ("中国式理财"博客精英赛), a total of 50,995 blog articles were received, with an average of around 1,758 blog articles per day. Besides, these blog articles attracted a total of 3,130,237 views, with an average of 61 views per article. Other online educational articles had a total of 18,805 views, with an average of 648 views per day, while the "Financial Education Handbook" (理财教育手册) was downloaded 7,835 times, with an average of 270 times per day.

The program was covered extensively by the press media, such as Financial News, China Securities Journal, YNET.com, China Business Times, Science and Technology Daily, Zheng Quan Ri Bao, International Finance News, Jing Ji Cai Kao Bao and Nanfang Daily. Besides, various online media, such as Xinhuanet, Sina, Sohu, Hexun, Tencent, China Finance Net, cs.com.cn, JRJ.COM, CNFOL.COM and China Economic Net, also reported on the opening ceremony led by the headquarters and subsequent activities for a long period of time.

VI. Participating Actively in Various Welfare Activities and Supporting Education, Culture and Sports Events

While maintaining the robust development of its various businesses and the stable growth of its economic benefits, the Company made its best endeavour to contribute towards society through different means in order to fulfil its obligations as a corporate citizen.

(1) Participation in Various Activities Organized by Charitable Groups

In performing their social responsibilities on their own, business entities may find their efforts insignificant or scattered. Hence, it is important to pull together more enterprises and entrepreneurs to take part. Therefore the Company has joined a dozen of influential charitable organizations at home and abroad and has been actively participating in their activities.

1. Alxa SEE Ecological Association

The Alxa SEE Ecological Association (SEE), a charitable organization with the mission of protecting the ecology on earth, was founded in June 2004. The Company's President Ma Weihua was elected as the Chairman of the first-session Supervisory Committee. Since its inception, SEE has been committed to enhancing the ecology of China, particularly the Alashan Region in Inner Mongolia. It has put on stream a range of activities, such as China's first ecology conservation and community development project, namely the "Energy Substitutes & Natural Haloxylon Woods Protection Pilot Project" (能源替代与天然梭梭林社区保护试点), the "SEE Ecological Fund", as well as the "Homeland Conservation" (守望家园). By doing so, SEE has actively explored the potential of environmental protection charitable activities in China and has attracted a lot of interest and responses from more and more enterprises and entrepreneurs.

Alxa SEE Ecological Association's Activities in the Alashan Region in 2008

Community Projects	EU-China Biodiversity Program	RARE Pride Campaign	Research and Development Training
19 projects were approved in two review sessions: RMB1.189 million (enhanced environmental protection indicators)	Project Design: Engaging the participation of local government and institution entities	Conservation target: Haloxylon Ammodendron Forest	Satellite Remote Sensing-Enabled Dynamic Environmental Monitoring (卫星遥感环境动态监测): (cooperation with The Chinese University of Hong Kong and the Alashan Environmental Protection Department (阿拉善盟环保局))
Vegetation recovery: 6320 mous	Project Model: with the focus on the protection of biodiversity, pursuing the integration between research and development, culture, education, community involvement and	Project Model: Pride Campaign (community environmental protection education)	Environmental Protection Education and Skills Training for Farmers and
Water conservation (drip irrigation, replanting): 137500 tonnes / year		Training: Project management team with international	
Cooperation with Heifer International: the Yaoba			

Heifer Project	legislative development	institutional training	Nomads
Third Party Four-Year Project Evaluation & Recommendation	SEE's involvement: protection of 10 local species Project status: in progress (3 years, RMB3 million)	Project status: agreement signed	Local Talent Training and Volunteers Recruitment Platform Training Cooperation with Government Authorities Preliminary Research for the Conservation Project for the 200-mou Haloxylon Ammodendron Forest in Wulanbuhe

2. Chinese Federation for Corporate Social Responsibility

In October 2006, the Company joined forces with well-known corporations such as IBM, Vanke, Nokia and Ping An to establish the Chinese Federation for Corporate Social Responsibility with the mission to unite social forces to promote the integration between the pursuit of corporate social responsibility and competitive power among enterprises in China. The Company's President Ma Weihua is the chairman of the federation. During the two years since its foundation, the federation has launched activities such as the "Training Program for Teachers in Poverty Regions" (贫困地区教师培训) and "Education Support for Poverty Relief Action" (助教扶贫行动). It has also organized the "Business Leaders Social Responsibility Roundtable Forum" (企业领袖社会责任圆桌论坛) to pursue active exploration and experiments in social charitable activities engagement, academic exchanges and studies, as well as the development of the social responsibility conceptual framework.

After the earthquake in Wenchuan, Sichuan, the federation established the Association for Corporate Social Responsibility in Mianyang City to receive donations on specific projects and take up concrete responsibilities for the use of funds in the disaster stricken areas. Based on its onsite studies, the federation put forward the "One Helps One" Post-disaster Village Homes Reconstruction Program ("一帮一"灾后乡村家园重建计划). A direct support arrangement for one enterprise helping one village and one donor household helping one donee household was recommended as a means to help affected village people to reconstruct their homes and weather the difficulties. On its part, the Company also actively took part in the program and donated RMB800,000 to help the people of Fongbei Village to reconstruct their homes.

3. Shenzhen Soft Science Development Foundation

The foundation was established in Shenzhen in September 2007 in line with the national strategy advocated by Chen Jinhua, former vice-chairman of the Chinese People's Political Consultative Conference National Committee, to reinforce China's research base and development strengths in soft science. The Company was among the joint promoters, which included large-scale

enterprises and institutions such as China Petrochemical Corporation, Baosteel Group, China National Petroleum Corporation, China National Offshore Oil Corp., China Guangdong Nuclear Power Holding Co., Ltd, OCT Group, Shide Group and China Development Institute Training Center. The Company's President Ma Weihua is the president of the foundation.

In 2008, the foundation committed a total of RMB2.2 million in sponsorship to 7 research projects. In particular, the research paper titled "The Practices and Theories of China's Special Economic Zones: Today and Tomorrow" (中国经济特区的实践与理论:昨天与明天), the fruit of six months' hard work by the work group headed by Professor Fan Gang, was completed on schedule during the year and was included in the "List of 100 Books in Commemoration of the 30th Anniversary of the Reform and Opening Up of China".

(2) Issuance of the One Foundation Charity Credit Card (壹基金爱心信用卡)

The press conference for the launch of the One Foundation Charity Credit Card (壹基金爱心信用卡), issued jointly by the Company and Jet Li's One Foundation, was held in Shanghai on 9 December 2009.

The One Foundation Charity Credit Card (壹基金爱心信用卡) is the first charity affinity card in the mainland consumer finance sector that adopts a "charity mileage" as the credit card approval and upgrade review standard. The credit card links up the numerous "1" from the cardholder, CMB and the increasing list of merchants. This means that the Company will donate RMB1 upon approval of each credit card application, the cardholder will promise to donate RMB1, RMB11 or RMB111 per month for charitable purposes, and the merchants together with the Company will make additional donations whenever the cardholder spends with the credit card. Besides, the Company also organizes regular charitable events, such as "One Day Volunteer Experience" and charitable bazaars, for cardholders to participate in.

(3) Education Donations

In 2008, the Company's headquarters handed out scholarships in the sum of RMB1.473 million to the 11 higher education institutions in which it has set up a scholarship program and made further subsidies of RMB130,000 to the New Great Wall Fund to help impoverished university students to finish their education. Meanwhile, the Company's branches in various locations also made their own education donations to contribute towards the local education sector.

China Merchants Bank's Education Support to University Students through Donations to the New Great Wall Fund over the Past Three Years

Year	Donations (RMB' 0000)	No. of Sponsored University Students
2008	13	65

2007	13	65
2006	13	65
Total	39	195

Nanjing Branch Back in 1996, when it was established, the branch already donated half of its earnings through the “All in one Card” Scholarships for the Nanjing University. Up to 2008, the “All in one Card” Scholarships have been granted for 13 years, granting a total of RMB6.35 million to 6,155 students of 10 universities in poverty areas. To support the education development in Jiangsu and help current university students to become pillars of the country, in 2007 the Nanjing Branch set up the “Nanjing University Scholarships” for the Nanjing University to offer annual grants totalling RMB100,000 to 15 undergraduates and postgraduates with outstanding academic results and personal qualities.

Shenzhen Branch The launch ceremony of the Shenzhen Branch’s Commercial Scholarship Loans for Students from Peking University Shenzhen Graduate School was held on the campus on 31 March 2008. These loans were the first batch of commercial scholarship loans offered by the Company to postgraduates. Scholarship loans with a total amount of RMB3 million were set aside for students of the Peking University Shenzhen Graduate School. For the first batch, 63 loans totaling RMB681,000 were approved.

(4) Sponsorship of Cultural and Sports Activities

1. Signing up for the Universiade to Fully Support the Sports Event

In January 2008, the Company entered into a contract with the Shenzhen Municipal Government and became the first partner to the Universiade 2011 in Shenzhen (the 26th World Summer University Games of Shenzhen), giving full support to the international sports event to be held in Shenzhen.

2. Mountain Dream, Red China

The “CMB CCTV Mountain Dream, Red China” Hiking Event (招商银行 CCTV 巅峰梦想 红动中国), jointly organized by the Company together with the Universiade 2011 Organising Committee, CCTV’s Scientific and Educational Programs Production Center and Sina, was held in Wutong Mountain, Shenzhen on 22 March 2008. This event was promoted with the slogan “Take part, make a record and challenge myself” to promote outdoor sports to everyone and the pursuit of sportsmanship as a way to challenge oneself and to achieve more.

For more than two months afterwards, local preliminary heats were organized by 30 branches of the Company. More than 30,000 individuals took part and the winning team was elected online by more than 3 million votes out of a total of over 22 million votes.

3. Charity Playground, Red China, Project Hope – CMB Special Sports Charity

Fund

When the whole world's attention was on the greatest sports event around the globe in 2008, the Company shifted its focus to the future of China, mainland children. On 27 March 2007, the Company joined hands with the China Youth Development Foundation to establish "Project Hope - CMB Special Sports Charity Fund" (希望工程——招商银行专项体育慈善基金) to contribute towards the development of sports education in Project Hope primary schools. In 2008, the Company made further progress and made numerous outstanding achievements under this pursuit.

The sources of funds for the Special Sports Charity Fund come from three areas. The first is donations by the Company. From 27 March 2007 to 31 May 2008, the Company donated RMB1 for every credit card issued and RMB0.1 for every credit card retail transaction successfully completed by a customer. This new mode of donation directly links corporate donations to business results, resulting in a snowballing effect for the donations to the CMB Special Sports Charity Fund. The second source of funds is the donations by cardholders. As a bank adept at technology-enabled innovations, the Company has fully capitalized on its network advantage to build up a powerful donation platform. By way of SMS exchanges and online banking donations, the Company can call for donations from a large number of cardholders. The third source of funds is the proceeds from celebrity auctions. By way of the above methods, the Company is able to raise funds from multiple channels.

Up to the midnight on 31 May 2008, the CMB Special Sports Charity Fund had accumulated donations of RMB18,668,265.38, with 1,408,680 credit card bonus points. In particular, RMB14,664,273.38 came from the Company's donations, RMB3,881,960 and 1,408,680 bonus points came from cardholders, while RMB122,032 came from charity auctions.

So far, RMB15 million of the charity funds was used for the construction of "Happy Sports Playground" for children attending Project Hope primary schools.

To enable more students of Project Hope primary schools to share the experience of happy sports and to allow the charity fund to make a bigger impact, RMB2 million was used to sponsor the 2008 Project Hope Primary School National Sports Gala (2008年全国希望小学运动会). On 26 July 2008, more than 1,000 children from 32 provincial cities and autonomous regions took part in the second Project Hope Primary School National Sports Gala held in Harbin.

The remaining balance of the funds will be used to subsidize the construction of Project Hope primary schools in impoverished areas in the future.

4. CMB Sunflower Cup National Teenager Piano Competition

To better satisfy the demand of Sunflower customers for diversified value-added services, to provide the children of our high-end customers with a platform to share their love for music and showcase their talent, as well as to enable the discovery and grooming of promising young performers, the Company, together with the Shanghai Symphony Orchestra, jointly organized the CMB Sunflower Cup National Teenager Piano Competition.

Acceptance for entries started on 20 December 2007 and a total of 2695 families submitted their applications. After 31 selection rounds held in the seven regions, including the Northwestern, Eastern, Central, Northern, Southern, Southwestern and Northeastern parts of China, 56 outstanding performers from across China made their way to the final competition. On 31 May 2008, the fierce showdown took place and the champions of the four groups were born.

To express their condolences to the young lives lost in the Sichuan earthquake and to show their compassion for the survivors in the disaster stricken areas, the young players in the competition wrote out wishes from the bottom of their hearts and put their caring cards on the tree of love in the competition hall. Teenager Group A's champion Liu Liwei even donated all of his RMB8,000 trophy money to the children in the disaster stricken areas.

【Words from Judges】

CMB did more than just organize this event. They are a frequent sponsor of the culture sector, particular the music industry. As a musician, I would like to pay the highest tribute to the leaders of CMB and the bank as a whole. They have really made a lot of contributions to the culture sector in China.

—— Chen Xieyang, Final Competition Panel Chairman

I feel very honored to have the opportunity to participate in the CMB Sunflower Cup National Teenager Piano Competition. The event is very successful, not only in terms of scale, but standard as well. Besides, CMB has also shown their great care for others in every aspect.

—— Li Jian, Final Competition Panel Judge

This competition is a very good experience for children. It gives them an opportunity to show what they've got.

—— Zhu Yafen, Northern China Regional Competition Panel Judge

The piano competition not only enlivens the cultural life of CMB's customers, but also provides a performance opportunity for our children. It has given great support for the development of piano education in Xi'an, but has also created a

great social benefit in our community.

—— Du Xixian, Si'an Preliminary Competition Panel Judge

【Words from Official Partners】

As the co-organizer of the competition, I can see that CMB has given a lot of efforts and heart in organising the CMB Sunflower Cup National Teenager Piano Competition. Indeed, as a socially responsible corporate, CMB is always committed to the promotion of fine art.

—— Chen Guangxian, General Manager of
Shanghai Symphony Orchestra

As a commercial partner, we are very impressed by the professional standard of this piano competition. We are pleased to be able to learn from the faith and devotion of CMB in organising this event.

—— Wang Tingxuan, General Manager of Parsons Music, China

【Words from Parents】

I am very thankful for CMB giving this amazing opportunity to my child. This competition has given him a starting point in music development. My child will surely remember CMB as he grows up. He and the people around him will definitely become some of your most loyal customers.

—— Parent of Hu Qixin, Children Group A

Through taking part in this competition, we got an extremely great opportunity to learn and share knowledge about the piano. We also enjoy the VIP and great value services offered by CMB to its Sunflower customers. At the same time, we also feel strongly about the corporate integrity of CMB. Rather than being short-sighted and pretentious, it is very pragmatic, reliable and responsible.

—— Parent of She Qinquin, Children Group A

This competition is very well organized. All the arrangements are very people-oriented and the standards of the competitors as well as the judges are more than satisfactory. It is far better than what we expected. From now on, I will encourage my child and my students to take part in this competition every year. I will also tell others about CMB. This kind of socially responsible corporate is really very hard to find today.

—— Parent of Ge Zhiyi, Teenage Group B

CMB has organized a very successful contest. Their staff members have given their best to the event, which has given the players a very good platform to learn from each other. The comments from judges are also very helpful. Besides, I am very pleased to find that CMB has not only given the players a

chance to showcase their music talent, but has also shown them how to care about the disaster-stricken community and the bigger society, teaching them what love is.

—— Parent of Song Yixin, Teenage Group B

5. Other Sponsorships

In 2008, the Company also sponsored the “National Grand Theatre Opening Performance”, “Commemoration of the 30th Anniversary of the Establishment of Diplomatic Relations between China and the United States – Philadelphia Orchestra China Tour” and “Lang Lang Earthquake Relief Charity Performance in Qingdao”. In addition, the Company was also a sponsor of the Chinese national sailing team, national rowing team and TV Speed Chess Match, giving full support to the development of China’s culture and sports sectors.

VII. Emphasis on Staff Training for All-Round Personal Development

Under the people-oriented business philosophy of “Respect, Care and Share”, the Company makes active efforts in protecting employees’ interests and caring for their growth as it strives to create a family-like people-oriented corporate culture.

At the end of 2008, the Company had a total of 36,916 employees, of which 40.62% and 59.38% were male and female respectively. In particular, there were 5,096 management executives, 27,090 business officers and 3,920 administrative officers. Among these employees, 34,949 or 94.367% had received tertiary or higher education. The Company had 102 retired employees.

In 2008, 49 headquarters and branch entities (including the Credit Card Center) of the Company recruited a total of 10,290 new employees for over 900 different positions of more than 40 categories. In particular, the new recruits included 5,450 fresh graduates, 53 home-coming overseas graduates and 2,714 financial industry participants, while 2,073 came from other sectors.

(1) Staff Training

In 2008, the Company’s divisions at all levels established their detailed annual staff training programs based on corporate development strategies and their own work arrangements for the year, in line with the quality of individual staff members and the requirements of their respective positions. More than 5,000 programs were carried out, of which 501 were Grade A training programs organized by the headquarters.

1. New Employees Training

In accordance with the “CMB New Employees Induction Training Guidelines”, all the divisions organized and carried out new employees training in a timely manner on a group by group and phase by phase basis.

2. Management Training

In 2008, the Company organized a total of 4 topical management training seminars for the headquarters’ divisional general managers, branch heads and senior management executives; 12 general management knowledge and skills training sessions for more than 480 participants; as well as a half-year “Gold Lion Training Program” (“金狮计划”培训项目) for managerial rank employees of different divisions of the headquarters to sharpen their leadership capability. The branches of the Company also carried out management training activities in various forms, such as intensive training programs, training sessions jointly organized with higher education institutions and assigning selected employees

to participate in external training.

3. Customer Relationship Managers Training

In recent years, the Company has organized and implemented the “131 Talent Project” Training Program for the key staff of the Company, including customer relationship managers. One of the items is the provision of on-going training for 1,000 wholesale and retail business customer relationship managers. In 2008, the Company held more than 40 “131 Talent Project” training sessions for customer relationship managers at home and abroad.

4. Profession Knowledge Training

In respect of training content, professional knowledge training is a critical part of staff training. In 2008, the Company organized a total of more than 4,500 intensive face-to-face professional knowledge training sessions, enhancing the business knowledge and professional skills of the staff.

(2) Care for the Staff

By way of different means, such as organizing staff check-up programs and health talks, distributing books about health and promoting physical exercises, the Company’s labor unions at all levels helped the employees to understand their own physical conditions, enrich their health knowledge, arouse their awareness of the need for regular exercises in order to maintain and improve their health and physical fitness to make further contributions to CMB.

Early in the year, the Company’s various branches actively organized activities to offer condolences to those employees who were trapped in the snowstorm during the spring festival season. Activities such as food and movie parties were held to bring them a warm festive atmosphere.

On the second day after the earthquake in Wenchuan, the labor union of the headquarters immediately sent a letter of condolence to the Company’s branch staff in the disaster stricken areas. As soon as the flights to Sichuan were back in service, Vice President Tong Zhihong, who is also head of the labor union of the headquarters, personally led a delegation to Chengdu to offer condolences to the employees on site.

The labor unions at all levels are actively involved in caring for the livelihood of members of the staff and extending support to any of them facing difficulties or mishaps or being sick in a hospital in order to help them overcome the tough times. In 2008, the headquarters alone sent condolences to 66 such employees and released condolence allowances of RMB55,726.2.

(3) Enriching the Cultural Life of Employees

A range of activities, such as the spring evening gathering, anniversary party, sports gala, photo competition, writing competition and movie nights, are organized by the Company to further enhance the cultural life of employees.

The Company offers a high level of support to the development of employee associations and staff clubs. Cultural activities are organized in ways based on the preferences of the majority of staff members and are arranged on a regular and systematic basis in order to make such activities part of their daily lives and a platform to showcase their talent. In 2008, the Company added 35 staff clubs and cultural associations to make a total of 129 with 6,496 members. Staff clubs have become an important part of the labor union activities of the Company. In 2008, for the headquarters alone, its 15 staff clubs signed up a total of 1,321 members, representing 66% of the total number of employees of the headquarters. For the year, these staff clubs held a total of 1,281 events with 23,930 participants. Besides, 2,237 participants took part in the 66 feature functions organized during the year.

Urumqi Branch On 25 October 2008, the Urumqi Branch held the fourth “CMB Anniversary & Urumqi Branch Sports Gala” (庆行庆·招商银行乌鲁木齐分行第四届运动会) in Xinjiang. More than 360 employees of the branch took part in this event.

VIII. Delivering Brilliant Business Results to Pay Back

Shareholders and Society

The Company is always committed to the development of a high standard corporate governance structure and places a high priority on the exchange of information with the capital market. It strives to ensure that the market can properly assess and evaluate the investment value of the Company so as to deliver the best returns to shareholders and society.

In 2008, the Company made an active effort in consistently following the nation's macroeconomic control policies and implementing various control measures stipulated by regulatory authorities. Under its continued commitment to the philosophy of balanced development in "profitability, quality and scale", the Company managed to maintain a stable and healthy growth trend on the whole in terms of various consolidated business indicators, such as capital level, operation scale, quality and profitability.

As at the end of 2008, the Company's total assets and total liabilities were RMB1,499.442 billion and RMB1,411.935 billion, representing a growth of 14.36% and 13.57% respectively compared with the beginning of the year. Meanwhile, its net profit was RMB20.412 billion, representing an increase of 34.01%, while its capital adequacy ratio and core capital adequacy ratio were 10.49% and 7.15% respectively.

In 2008, the Company continued to actively perform its obligations as a taxpayer by paying taxes in a timely manner and in accordance with the law. For the year, the Company paid RMB5.95 billion in enterprise income tax, representing an increase of RMB115 million or 1.98% compared with last year. It also paid RMB3.292 billion in business tax and surcharges, representing an increase of RMB908 million or 38.09% compared with last year.

In order to enhance its financial services, the Company continued its efforts on realigning its business structure. In respect of its credit base, the Company kept up its support for retail loans, SME loans and trade finance to facilitate economic restructuring and to give a boost to domestic demand and employment. In respect of its revenue base, the Company actively enhanced the product chain of its intermediary business, delivered financial services in an even more efficient and effective manner and increased the share of its non-interest income. In addition, the Company also actively expanded the coverage of its service points to speed up the restructuring of its service network in order to enhance the offering of its financial services.

Information Disclosure

In 2008, the Company published a total of 60 temporary announcements (including documents for general meetings), 4 regular reports and 10

documents for corporate governance on the Shanghai Stock Exchange and Hong Kong Stock Exchange. Disclosures were made by the Company with regard to a range of major events, including the acquisitions of Wing Lung Bank, CIGNA & CMC Life Insurance Company Ltd. and the Trust & Investment Corporation of the Tibet Autonomous Region, the opening of the New York Branch and the CMB Financial Leasing Company Limited, the appointment of senior management executives, continuing related transactions, profit appropriation, the expiry of the moratorium for certain shares, the change of composition of the Specialized Committees of the Board of Directors, amendments to the articles of association of the Company, phase II of the grant of H shares appreciation rights, status of the Company's holdings in the bonds issued by Lehman Brothers, approval from the CBRC on the acquisition of certain equity stakes in Taizhou Commercial Bank, interest payments on convertible bonds and the Company's corporate governance internal inspection report.

Apart from fulfilling its statutory information disclosure obligations, the Company also places strong emphasis on the voluntary disclosure of information in order to continuously improve its transparency. For example, after the Lehman Brothers had announced its bankruptcy, the Company was the first among the listed banks in China to discuss its holdings in the bonds issued by the US financial institution, to help investors grasp hold of the relevant information in a timely manner. The Company also made a timely announcement to dispel market rumors that huge losses were made by its foreign exchange trading and foreign currency investments and wealth management business, so as to lead investor expectations back on the right track. In its 2008 interim report, from the perspective of investors' concerns, the Company even made certain special disclosures to provide an analysis of the impact of the US subprime crisis, the Company's holdings in the bonds issued by Freddie Mac and Fannie Mae, the impact of the Wenchuan earthquake and the relevant crisis management measures, as well as analyses on housing loans, residential mortgage loans and SME loans.

To ensure the truthfulness, accuracy, completeness, timeliness and fairness of its annual report, the Company followed the requirements of the China Securities Regulatory Commission to establish Rules Governing Independent Directors' Work on Annual Reports and the Work Procedures for the Annual Report for the Audit Committee, to further explain the duties of independent directors and fully capitalize on the supervisory function of the Audit Committee so as to enhance the disclosure standard of its annual reports.

Shareholders' Returns

According to the "Resolution on Profit Appropriation for the Year 2007" considered and passed at the 2007 Annual General Meeting of the Company, the Company paid in 2008 a cash dividend (including tax) of RMB2.80 for

every 10 shares, payable in RMB for A-shareholders and in HK Dollars for H share-shareholders based on the total share capital of A shares and H shares.

Related Transactions

In 2008, the Company further improved and regulated the management system governing related transactions. In order to control non-credit related transactions which are strictly regulated by the Hong Kong Stock Exchange, the Company established a comprehensive management system governing related transactions to further regulate the conduct of related transactions. During the year, the Board of Directors and its Related Transaction Control Committee reviewed and approved 12 projects which constituted major related transactions.

Investor Relations

In 2008, the Company continued to strengthen the management of investor relations and established various platforms to ensure smooth communications with investors at large. During the year, the Company attended 34 investment promotion conferences sponsored by well-known investment banks at home and abroad, staged road shows in Europe, US and Hong Kong, and received 146 domestic and overseas visitors. In addition, the Company held a telephone conference with investors and analysts in relation to the acquisition of Wing Lung Bank to enable sufficient communications and sharing of information with participants in the capital market.

In 2008, the Company's performance on corporate governance, information disclosure and investor relations won widespread recognition by domestic and overseas investors, media and regulatory authorities. In the 12 capital market award ceremonies held during the year, the Company won a total of 28 awards.

Internal Control

In 2008, the Company carried out its work by following closely the guiding principles of "focusing on internal control by looking to risks as the direction, processes examination as the substance, and management enhancement as the objective, with the emphasis placed on new products, new businesses and new systems, in order to strengthen the rectification of problems and the ongoing auditing and to enhance the effectiveness of auditing in a pragmatic manner through improving the auditing procedures and the involvement of technology". By combining conventional auditing practices and internal assessment, on-site auditing and off-site auditing, line discipline and internal audit evaluation, the Company made pragmatic efforts in enhancing its overall risk management and internal control capability and improving its corporate compliance and operational stability in an effective manner.

From mid December 2007 to mid February 2008, the Company launched

prohibition and monitoring operations against the “five forbidden behaviors”, which lasted for more than two months. During the process, the headquarters and all branches carried out many political, moral and legal education activities of various forms. Through self-inspection and group talks, as well as whistle blowing, the Company ran spot checks on employees with irregular behavior. 19,860 employees, representing 55% of the staff of the Company, at various levels participated in these activities.

Compliance Management

In 2008, the Company established the “CMB’s Work Procedure for the Throughout Implementation of Compliance Management” (招商银行实施全面合规管理工作方案) and published the Compliance Policy Statement to expressly define the compliance procedures. A perpendicular management mechanism featuring double leadership, bi-directional assessment and dual-line reporting by both the compliance officer and the compliance department of the relevant branch was established. Three defense lines of compliance risks management were also preliminary constructed, with the operating unit and the business line constituting the first defense line for implementing self evaluation, control and prevention of compliance risks; the compliance department and the risk management department constituting the second defense line for implementing professional compliance management prior to and in the process of the occurrence of misconduct; and the internal audit department constituting the third defense line for post control.

Anti-money Laundering Management

In 2008, based on the risk standards for high-, medium- and low-end customers, the Company established the Customer Risk Keywords List and at the same time released the Practice Handbook, which underwent test runs and were put into practice by the end of January 2008. The introduction of the risk keywords list has significant implications for the verification of customer identity throughout the bank. The Company is the first Chinese bank on the mainland adopting this practice.

With reference to the international common practices in anti-money laundering and in consideration of the characteristics of the anti-money laundering activities in China, the Company established its own anti-laundering database and screening system methodology and completed the compilation of its own Database and Screening System Operational Requirements.

In accordance with the latest anti-money laundering legislations and regulations, the Company established a new set of anti-money laundering inspection measures to make the inspections more target-oriented and more in line with the compliance requirements. Moreover, onsite inspections were carried out in the business department of the headquarters, Shenzhen Branch, Shanghai Branch, Urumqi Branch, Dalian Branch, Lanzhou Branch and

Fuzhou Branch. Based on the issues which were discovered on site, timely feedbacks were made to various service points and orders were issued to demand appropriate adjustments be made.

IX. Corporate Social Responsibility Awards

On 6 December 2008, in the annual award ceremony organized by *Investor Relations*, the Company received six awards, including all the awards in the state-owned enterprise category, namely the Grand Prix for Best Overall Investor Relations – SOE, Most Progress in Investors Relations – SOE, Best Corporate Governance – SOE, Best Annual Report and Other Corporate Literature, Best Investor Relations by a CEO and Best Investor Relations Officer – SOE.

On 6 December 2008, the Company was accredited as the “Best Corporate in Innovation of Charity Model in China”, making it the fourth consecutive year of winning this award.

On 3 December 2008, in the “Asia’s Best Companies 2009” awards by *Finance Asia*, based on a survey of over 300 global investors and analysts, the Company won three awards, namely “The Best Managed Company”, “the Best Corporate Governance” and “The Best Investors Relations”.

On 26 November 2008, the first Chinese Public Charity Forum was held under the theme of “Charity, Responsibility and Harmony” in the Great Hall of the People. It was hosted jointly by the China Disabled Persons’ Federation, Red Cross Society of China, China Charity Federation, China Environmental Protection Foundation, and China Commission of Promotion of Publicity for the Undertakings of Chinese Disabled Persons, and co-organized by China Times. The Company was named as one of the “Top 50 Charity Corporations in China”.

On 17 October 2008, the “Charity Dinner for the International Day for the Eradication of Poverty” was jointly hosted by the China Foundation for Poverty Alleviation and CCTV News. Due to its active engagement in livelihood causes and outstanding contributions towards poverty relief, the Company was accredited by the China Foundation for Poverty Alleviation as the “Pioneer of the China Livelihood Movement 2008”.

On 28 June 2008, the Company was ranked by *Securities Times* and China Southern Fund as No. 1 of the “Top 100 Listed Companies in China by Corporate Value 2007” (2007 年度中国上市公司价值百强), No. 1 of the “Chinese-run Listed Companies with the Best Management Team” (中国主办上市公司最佳管理团队), and No. 1 of the “Top 10 Most Outstanding Listed Companies in Social Responsibilities in China”.

On 22 April 2008, the Company was named as “China’s Benchmark Green Company 2007” (中国绿色公司标杆企业) by various organizations, including *China Entrepreneur Magazine*, the Guanghua School of Management of the Beijing University, and Daonong Centre for Enterprise.

On 1 April 2008, the Company was granted the honorable title of “Most Caring Corporate in China” by the Office of the Shenzhen Civil Spirits Cultivation Committee (深圳市精神文明建设委员会办公室).

On 31 March 2008, the Company was voted as one of “China’s Most Respected Enterprises 2007” in an annual survey jointly conducted by the *Economic Observer* and Peking University Management Case Study Center. It was the only bank receiving this honor for seven years in a row.

On 20 January 2008, in the “2007 China Financial List” awards ceremony organized by Hexun.com in Beijing Zhongshan Music Hall, the Company won the “2007 China Banking Industry Best Service Award” (2007 年度中国银行业杰出服务奖) and the “2007 Top 10 Investor Relations Listed Company Award” (2007 年度中国十佳投资者关系上市公司).

On 11 January 2009, in the China Enterprise Public Image Awards Ceremony 2007 (2007 年度中国企业公众形象评选) held in Beijing, the Company won the “Best Corporate Image Award 2007” (2007 年度最佳企业公众形象奖) and the “Enterprise with the Best Consumer Relations of the Year” (最佳消费者关系年度企业奖). This was the third consecutive year the Company won the first award.

On 10 January 2008, the 2007 Poverty Relief China Tour Donors Accreditation and Poverty Relief Monthly Donation Scheme Opening Ceremony (2007 扶贫中国行捐赠表彰大会暨扶贫月捐计划启动仪式), co-hosted by the China Foundation for Poverty Alleviation and the Zhongguo Caifu Magazine Publisher (中国财富杂志社), was held in the Great Hall of the People. During the ceremony, organizations which sponsored and donated to the relevant projects of the China Foundation for Poverty Alleviation and the Poverty Relief China Tour (扶贫中国行) were accredited. The Company was named as the “Poverty Relief Star in China (Corporate)”.

X. Reader Feedback

Reader Feedback Form

This 2008 Corporate Social Responsibility Report is the third corporate social responsibility report published by the Company. To better understand your expectations and enhance the quality of this report so as to provide more valuable information for you and other stakeholders of the Company, please offer your opinions about the issues mentioned in this feedback form and return it to us by way of the following channels:

By fax to: 0755-83195112

By mail to : Miss Fei, Office of the Headquarters, China Merchants Bank Tower, No. 7088 Shennan Boulevard, Shenzhen, Guangdong 518040

1. What is your overall opinion of the report?

2. Do you find the report reflects the true and complete view of those areas relating to the corporate social responsibilities of the Company about which you would like to know?

3. Is there any other information which you find necessary but is not reflected in the report?

4. What are the disclosures most expected by you from the Company with regard to the information relating to its corporate social responsibilities performance?

5. Do you find the layout and design of the contents of the report helpful for your reading?

6. What do you find as the most satisfactory aspect of the report?

7. Do you have any suggestions for the Company in publishing such reports in the future?

Your Message

Your Name:

Company Name:

Title:

Contact No.:

Fax No.:

Email Address: